GREENE COUNTY BANCORP INC
Form 10QSB
February 13, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

[x] QUARTERLY REPORT UNDER SECTION 13 OF 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2006

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OF 15(d) OF THE SECURITIES EXCHANGE ACT

GREENE COUNTY BANCORP, INC.

(Exact name of small business issuer as specified in its charter)

Commission file number 0-25165

United States 14-1809721
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

302 Main Street, Catskill, New York 12414
(Address of principal executive office) (Zip code)

Registrant's telephone number, including area code: (518) 943-2600

Check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes: _X_ No: ___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.

Yes: ___ No: _X_

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12G-2 of the Exchange Act.

Yes: ___ No:__X_

As of February 2, 2007, the registrant had 4,305,670 shares of common stock issued at $ 0.10 par value, and 4,150,666 shares were outstanding.

Transitional Small Business Disclosure
Format: Yes: ___ No: _X_

GREENE COUNTY BANCORP, INC.

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Part I. Item 1.

Greene County Bancorp, Inc.
Consolidated Statements of Financial Condition
As of December 31, 2006 and June 30, 2006(unaudited)
(Dollars in thousands, except share and per share amounts)

ASSETS	December 31, 2006	June 30, 2006
Cash and due from banks	$ 12,219	$ 12,218
Federal funds sold	2,169	3,634
Total cash and cash equivalents	14,388	15,852
Securities available for sale, at fair value	79,103	87,267
Federal Home Loan Bank stock, at cost	643	643
Loans	203,461	191,429
Less: Allowance for loan losses	(1,368)	(1,314)
Unearned origination fees and costs, net	20	(22)
Net loans receivable	202,113	190,093
Premises and equipment	13,319	10,805
Accrued interest receivable	1,810	1,736
Prepaid expenses and other assets	942	1,169
Total assets	$ 312,318	$ 307,565
LIABILITIES AND SHAREHOLDERS' EQUITY		
Noninterest bearing deposits	$ 42,108	$ 41,503
Interest bearing deposits	229,012	226,747
Total deposits	271,120	268,250
Borrowings from FHLB	5,000	5,000
Accrued expenses and other liabilities	899	734
Total liabilities	277,019	273,984
SHAREHOLDERS' EQUITY		
Preferred stock,		
Authorized 1,000,000 shares; none issued	---	---
Common stock, par value $.10 per share;		
Authorized:12,000,000 shares		
Issued: 4,305,670 shares		
Outstanding: 4,146,826 shares at December 31, 2006		
and 4,145,246 shares at June 30, 2006;	431	431
Additional paid-in capital	10,374	10,300
Retained earnings	25,675	24,588
Accumulated other comprehensive income (loss)	(231)	(747)
Treasury stock, at cost 158,844 shares at December 31,		
2006, and 160,424 shares at June 30, 2006	(851)	(860)
Unearned ESOP shares, at cost	(99)	(131)
Total shareholders' equity	35,299	33,581

Total liabilities and shareholders’ equity	$	312,318	$	307,565

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Six Months Ended December 31, 2006 and 2005
(Unaudited)
(Dollars in thousands, except share and per share amounts)

		2006		2005
Interest income:				
Loans	$	6,482	$	5,466
Investment securities		320		250
Mortgage-backed securities		751		779
Tax free securities		551		482
Interest bearing deposits and federal funds sold		190		212
Total interest income		8,294		7,189
Interest expense:				
Interest on deposits		2,922		1,709
Interest on borrowings		93		137
Total interest expense		3,015		1,846
Net interest income		5,279		5,343
Provision for loan losses		111		60
Net interest income after provision for loan losses		5,168		5,283
Noninterest income:				
Service charges on deposit accounts		1,057		913
Debit card fees		290		234
Gain on sale of premises and equipment		257		---
Other operating income		490		416
Total noninterest income		2,094		1,563
Noninterest expense:				
Salaries and employee benefits		2,790		2,855
Occupancy expense		353		289
Equipment and furniture expense		396		395
Service and data processing fees		474		521
Computer supplies and support		118		104
Office supplies		80		57
Other		883		963
Total noninterest expense		5,094		5,184
Income before provision for income taxes		2,168		1,662
Provision for income taxes		657		479
Net income	$	1,511	$	1,183
Basic EPS	$	0.37	$	0.29

Basic shares outstanding		4,119,836		4,091,442
Diluted EPS	$	0.36	$	0.28
Diluted average shares outstanding		4,190,163		4,177,775
Dividends per share	$	0.23	$	0.22

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Income
For the Three Months Ended December 31, 2006 and 2005
(Unaudited)
(Dollars in thousands, except share and per share amounts)

		2006		2005
Interest income:				
Loans	$	3,303	$	2,784
Investment securities		159		107
Mortgage-backed securities		391		321
Tax free securities		282		249
Interest bearing deposits and federal funds sold		88		92
Total interest income		4,223		3,553
Interest expense:				
Interest on deposits		1,546		892
Interest on borrowings		47		48
Total interest expense		1,593		940
Net interest income		2,630		2,613
Provision for loan losses		66		30
Net interest income after provision for loan losses		2,564		2,583
Noninterest income:				
Service charges on deposit accounts		586		450
Debit card fees		151		120
Gain on sale of premises and equipment		257		---
Other operating income		209		191
Total noninterest income		1,203		761
Noninterest expense:				
Salaries and employee benefits		1,412		1,394
Occupancy expense		196		153
Equipment and furniture expense		200		211
Service and data processing fees		257		239
Computer supplies and support		62		44
Office supplies		52		28
Other		482		550
Total noninterest expense		2,661		2,619
Income before provision for income taxes		1,106		725
Provision for income taxes		349		198
Net income	$	757	$	527
Basic EPS	$	0.18	$	0.13

Basic shares outstanding		4,122,029		4,093,593
Diluted EPS	$	0.18	$	0.13
Diluted average shares outstanding		4,192,392		4,179,338

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Six Months Ended December 31, 2006 and 2005
(Unaudited)
(Dollars in thousands)

		2006		2005
Net income	$	1,511	$	1,183
Other comprehensive income (loss):				
Unrealized holding gain (loss) arising during the six months ended December 31, 2006 and 2005, net of income tax (expense) benefit of $(329) and $124, respectively.		516		(194)
Total other comprehensive income (loss)		516		(194)
Comprehensive income	$	2,027	$	989

Greene County Bancorp, Inc.
Consolidated Statements of Comprehensive Income
For the Three Months Ended December 31, 2006 and 2005
(Unaudited)
(Dollars in thousands)

		2006		2005
Net income	$	757	$	527
Other comprehensive income (loss) :				
Unrealized holding gain (loss) arising during the three months ended December 31, 2006 and 2005, net of income tax (expense) benefit of $(34) and $31, respectively.		53		(49)
Total other comprehensive income (loss)		53		(49)
Comprehensive income	$	810	$	478

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended December 31, 2006 and 2005
(Unaudited)
(Dollars in thousands)

	Capital Stock	Additional Paid - In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Treasury Stock	Unearned ESOP Shares	Total Shareholders' Equity
Balance at June 30, 2005	$431	$10,129	$23,168	$163	($942)	($196)	$32,753
ESOP shares earned		102				33	135
Options exercised		(3)			12		9
Dividends declared			(402)				(402)
Net income			1,183				1,183
Unrealized (loss) on securities, net				(194)			(194)
Balance at December 31, 2005	$431	$10,228	$23,949	($31)	($930)	($163)	$33,484
Balance at June 30, 2006	$431	$10,300	$24,588	($747)	($860)	($131)	$33,581
ESOP shares earned		76				32	108
Options exercised		(2)			9		7
Dividends declared			(424)				(424)
Net income			1,511				1,511

Unrealized gain on securities, net				516			516
Balance at December 31, 2006	$431	$10,374	$25,675	($231)	($851)	($99)	$35,299

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Consolidated Statements of Cash Flows
For the Six Months Ended December 31, 2006 and 2005
(Unaudited)
(Dollars in thousands)

	2006	2005
Cash flows from operating activities:		
Net Income	$ 1,511	$ 1,183
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	452	399
Net amortization of security premiums and discounts	448	1,001
Provision for loan losses	111	60
ESOP compensation earned	108	135
Gain on sale of premises and equipment	(257)	---
Net decrease in accrued income taxes	(127)	(73)
Net increase in accrued interest receivable	(74)	(29)
Net decrease (increase) in prepaid and other assets	25	(266)
Net increase (decrease) in other liabilities	165	(380)
Net cash provided by operating activities	2,362	2,030
Cash flows from investing activities:		
Proceeds from maturities and calls of securities	2,980	4,812
Purchases of securities	(3,823)	(5,353)
Principal payments on securities	9,404	12,550
Net increase in loans receivable	(12,131)	(11,633)
Proceeds from sale of premises and equipment	350	2
Purchases of premises and equipment	(3,059)	(1,398)
Net cash used in investing activities	(6,279)	(1,020)
Cash flows from financing activities:		
Repayments of FHLB borrowings	---	(2,500)
Dividends paid	(424)	(402)
Proceeds from exercise of stock options	7	9
Net increase in deposits	2,870	2,793
Net cash provided by (used in) financing activities	2,453	(100)
Net (decrease) increase in cash and cash equivalents	(1,464)	910
Cash and cash equivalents at beginning of period	15,852	19,931
Cash and cash equivalents at end of period	$ 14,388	$ 20,841

See notes to consolidated financial statements.

Greene County Bancorp, Inc.
Notes to Consolidated Financial Statements
As of and for the Six Months and Three Months Ended December 31, 2006 and 2005

(1) Basis of Presentation

The accompanying consolidated balance sheet information as of June 30, 2006 was derived from the audited consolidated financial statements of Greene County Bancorp, Inc. (the "Company") and its wholly owned subsidiary, The Bank of Greene County (the "Bank") and the Bank's wholly owned subsidiary, Greene County Commercial Bank. The consolidated financial statements at and for the three and six months ended December 31, 2006 and 2005 are unaudited.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. To the extent that information and footnotes required by GAAP for complete financial statements are contained in or are consistent with the audited financial statements incorporated by reference to Greene County Bancorp, Inc.'s Annual Report on Form 10-KSB for the year ended June 30, 2006, such information and footnotes have not been duplicated herein. In the opinion of management, all adjustments (consisting of only normal recurring items) necessary for a fair presentation of the financial position and results of operations and cash flows at and for the periods presented have been included. Amounts in the prior year's consolidated financial statements have been reclassified whenever necessary to conform to the current year's presentation. These reclassifications had no effect on net income or retained earnings as previously reported. All material inter-company accounts and transactions have been eliminated in the consolidation. The results of operations and other data for the six months ended December 31, 2006 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2007.

CRITICAL ACCOUNTING POLICY

Greene County Bancorp, Inc.'s critical accounting policy relates to the allowance for loan losses. It is based on management's estimation of an amount that is intended to absorb losses in the existing portfolio. The allowance for loan losses is established through a provision for losses based on management's evaluation of the risk inherent in the loan portfolio, the composition of the portfolio, specific impaired loans and current economic conditions. Such evaluation, which includes a review of all loans for which full collectibility may not be reasonably assured, considers among other matters, the estimated net realizable value or the fair value of the underlying collateral, economic conditions, historical loan loss experience, management's estimate of probable credit losses and other factors that warrant recognition in providing for the allowance of loan losses. However, this evaluation involves a high degree of complexity and requires management to make subjective judgments that often require assumptions or estimates about highly uncertain matters. This critical accounting policy and its application are periodically reviewed with the Audit Committee and the Board of Directors.

(2) Nature of Operations

Greene County Bancorp, Inc.'s primary business is the ownership and operation of its subsidiaries. The Bank of Greene County has seven full-service offices and an operations center located in its market area consisting of Greene County, Columbia County and southern Albany County, New York. The Bank of Greene County is primarily engaged in the business of attracting deposits from the general public in The Bank of Greene County's market area, and investing such deposits, together with other sources of funds, in loans and investment securities. Greene County Commercial Bank's primary business is to attract deposits from and provide banking services to local municipalities.

(3) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the assessment of other-than-temporary security impairment.

While management uses available information to recognize losses on loans, future additions to the allowance for loan losses (the "Allowance") may be necessary based on changes in economic conditions, asset quality or other factors. In addition, various regulatory authorities, as an integral part of their examination process, periodically review our Allowance. Such authorities may require us to recognize additions to the Allowance based on their judgments of information available to them at the time of their examination.

Greene County Bancorp, Inc. makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. The Company considers many factors including the severity and duration of the impairment; the intent and ability of the Company to hold the security for a period of time sufficient for a recovery in value; recent events specific to the issuer or industry; and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value with the write-down recorded as a realized loss.

(4) Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding during the period. Shares of restricted stock are not considered outstanding for the calculation of basic earnings per share until they become fully vested. Diluted earnings per share is computed in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares that would have been outstanding under the treasury stock method if all potentially dilutive common shares (such as stock options and unvested restricted stock) issued became vested during the period. Unallocated common shares held by the ESOP are not included in the weighted-average number of common shares outstanding for either the basic or diluted earnings per share calculations.

	Net Income	Weighted Average Number of Shares Outstanding	Earnings Per Share
Six Months Ended			
December 31, 2006:	$ 1,511,000		
Basic		4,119,836	$ 0.37
Effect of dilutive stock options			
and unearned restricted stock		70,327	(0.01)
Diluted		4,190,163	$ 0.36
December 31, 2005:	$ 1,183,000		
Basic		4,091,442	$ 0.29
Effect of dilutive stock options			

and unearned restricted stock		86,333		(0.01)
Diluted		4,177,775	$	0.28

Three Months Ended	Net Income	Weighted Average Number of Shares Outstanding		Earnings Per Share
December 31, 2006:	$ 757,000			
Basic		4,122,029	$	0.18
Effect of dilutive stock options				
and unearned restricted stock		70,363		(0.00)
Diluted		4,192,392	$	0.18
December 31, 2005:	$ 527,000			
Basic		4,093,593	$	0.13
Effect of dilutive stock options				
and unearned restricted stock		85,745		(0.00)
Diluted		4,179,338	$	0.13

(5) Dividends

On July 18, 2006, the Board of Directors declared a semi-annual cash dividend of $0.23 per share of Greene County Bancorp, Inc.’s common stock. The dividend reflects an annual cash dividend rate of $0.46 per share, which is equal to the prior semi-annual dividend paid in March 2006. The dividend was payable to stockholders of record as of August 15, 2006, and paid on September 1, 2006. It should be noted that Greene County Bancorp, Inc.’s mutual holding company continued to waive receipt of dividends on the 2,304,632 shares of Company common stock it owns for the current period.

(6) Impact of Inflation and Changing Prices

The consolidated financial statements of Greene County Bancorp, Inc. and notes thereto, presented elsewhere herein, have been prepared in accordance with U.S. generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time and due to inflation. The impact of inflation is reflected in the increased cost of Greene County Bancorp, Inc.’s operations. Unlike most industrial companies, nearly all the assets and liabilities of Greene County Bancorp, Inc. are monetary. As a result, interest rates have a greater impact on Greene County Bancorp, Inc.’s performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

(7) Impact of Recent Accounting Pronouncements

In February 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 155, “Accounting for Certain Hybrid Financial Instruments.” SFAS No. 155 amends SFAS Nos. 133 and 140, and improves the financial reporting of certain hybrid financial instruments by requiring more consistent accounting that eliminates exemptions and provides a means to simplify the accounting for these instruments.

Specifically, SFAS No. 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company is required to adopt the provisions of SFAS No. 155, as applicable, beginning on July 1, 2007. The Company does not believe the adoption of SFAS No. 155 will have any material impact on the Company's financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets — An Amendment of FASB Statement No. 140." SFAS No. 156 requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits, but does not require, the subsequent measurement of servicing assets and servicing liabilities at fair value. SFAS No. 156 is effective as of the beginning of an entity's first fiscal year that begins after September 15, 2006, which for the Company will be July 1, 2007. The Company does not believe that the adoption of SFAS No. 156 will have any material effect on its consolidated financial position or results of operations.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that companies recognize in their financial statements the impact of a tax position only if the Company has determined, based on the technical merits of the tax position, that the tax position would more likely than not be sustained upon an examination by the appropriate taxing authority. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company does not believe that the adoption of FIN 48 will have a material effect on its consolidated financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements", which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS No. 157 on its consolidated financial position, results of operations and cash flows.

On September 29, 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans", which amends SFAS 87 and SFAS 106 to require recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. Under SFAS 158, gains and losses, prior service costs and credits, and any remaining transition amounts under SFAS 87 and SFAS 106 that have not yet been recognized through net periodic benefit cost will be recognized in accumulated other comprehensive income, net of tax effects, until they are amortized as a component of net periodic cost. The measurement date — the date at which the benefit obligation and plan assets are measured — is required to be the company's fiscal year end. SFAS 158 is effective for publicly-held companies for fiscal years ending after December 15, 2006, except for the measurement date provisions, which are effective for fiscal years ending after December 15, 2008. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS No. 158 on its consolidated financial position, results of operations and cash flows.

(8) Stock-Based Compensation

At December 31, 2006, Greene County Bancorp, Inc. had two stock-based compensation plans, which are described more fully in Note 9 of the financial statements and notes thereto for the year ended June 30, 2006. Through June 30, 2006, the Company accounted for stock-based compensation in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*, which required the measurement of the fair value of stock options or warrants granted to employees to be included in the statement of operations or, alternatively, disclosed in the notes to consolidated financial statements. The Company elected to account for stock-based compensation of employees under the intrinsic value method of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations and has elected the disclosure-only alternative under SFAS No. 123. Accordingly no stock-based compensation cost was reflected in net income, as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The Company adopted SFAS 123(R), "Share-Based Payments" effective July 1, 2006. SFAS No. 123 (R) requires compensation costs related to share-based payment transactions to be recognized in the financial statements over the period that the employees provide service in exchange for the award. Public companies were required to adopt the standard using a modified prospective method and they were given the option to elect to restate prior periods using the modified retrospective method. Under the modified prospective method, companies are required to record compensation cost for new and modified awards over the related vesting period of such awards prospectively and record compensation cost prospectively for the unvested portion, at the date of adoption of previously issued and outstanding awards over the remaining vesting period of such awards. Greene County Bancorp, Inc. chose the modified prospective method. However, since all outstanding options vested prior to March 31, 2006, there is no stock-based compensation expense to be recorded in the current period and, therefore, no effect on net income or earnings per share; consequently, no table illustrating the impact of share-based compensation on earnings for the quarter ended December 31, 2006 is included.

A summary of the Company's stock option activity and related information for its option plans is as follows:

Six Months Ended December 31, 2006	Outstanding Options		Wtd. Avg. Exercise Price	Wtd. Avg. Rem. Contractual Term		Aggregate Intrinsic Value
Outstanding at 6/30/2006	100,084	$	4.38			
Granted	---		---			
Exercised	1,580	$	3.94			
Forfeited or Cancelled	---		---			
Outstanding at 12/31/2006	98,504	$	4.39	3.4 years	$	1,094,000
Exercisable at 12/31/2006	98,504	$	4.39	3.4 years	$	1,094,000

The total intrinsic value of the options exercised during the six and three months ended December 31, 2006, was approximately $18,000 and $10,000, respectively. There were no stock options granted during the six and three months ended December 31, 2006 and 2005. The Company had no non-vested options outstanding at or during the six months ended December 31, 2006.

For the purposes of pro forma disclosures, the estimated fair value of stock options is amortized to expense over their assumed vesting periods. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to all stock-related compensation prior to July 1, 2006. The fair value of each option grant has been estimated using the Black-Scholes option-pricing model.

	Six Months Ended	Three Months

		December 31,		Ended December 31,
		2005		2005
(In thousands, except per share amounts)				
Net income, as reported	$	1,183	$	527
Add: Stock related compensation expense included in				
reported net income, net of income tax		---		---
Deduct: Stock related compensation expense determined				
under the fair value method, net of income taxes		1		---
Pro forma net income	$	1,182	$	527
Earnings per share:				
Basic, as reported	$	0.29	$	0.13
Basic, pro forma	$	0.29	$	0.13
Diluted, as reported	$	0.28	$	0.13
Diluted, pro forma	$	0.29	$	0.13

(9) Subsequent Event

On January 17, 2007, the Board of Directors declared a semi-annual cash dividend of $0.25 per share of Greene County Bancorp, Inc. common stock. The dividend reflects an annual cash dividend rate of $0.50 cents per share, which represented an increase from the current annual cash dividend rate of $0.46 per share. The dividend will be payable to stockholders of record as of February 15, 2007, and will be paid on March 1, 2007. It should be noted that Greene County Bancorp, Inc.'s mutual holding company continued to waive receipt of dividends on the 2,304,632 shares of Company common stock it owns for the current period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

Overview of the Company's Activities and Risks

Greene County Bancorp, Inc.'s results of operations depend primarily on its net interest income, which is the difference between the income earned on Greene County Bancorp, Inc.'s loan and securities portfolios and its cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by Greene County Bancorp, Inc.'s provision for loan losses, gains and losses from sales of securities, noninterest income and noninterest expense. Noninterest income consists primarily of fees and service charges. Greene County Bancorp, Inc.'s noninterest expense consists principally of compensation and employee benefits, occupancy, equipment and data processing, and other operating expenses. Results of operations are also significantly affected by general economic and competitive conditions, changes in interest rates, as well as government policies and actions of regulatory authorities. Additionally, future changes in applicable law, regulations or government policies may materially affect Greene County Bancorp, Inc.

To operate successfully, the Company must manage various types of risk, including but not limited to, market or interest rate risk, credit risk, transaction risk, liquidity risk, security risk, strategic risk, reputation risk and compliance risk. While all of these risks are important, the risks of greatest significance to the Company relate to market or interest rate risk and credit risk.

Market risk is the risk of loss from adverse changes in market prices and/or interest rates. Since net interest income (the difference between interest earned on loans and investments and interest paid on deposits and borrowings) is the Company's primary source of revenue, interest rate risk is the most significant non-credit related market risk to which the Company is exposed. Net interest income is affected by changes in interest rates as well as fluctuations in the level and duration of the Company's assets and liabilities.

Interest rate risk is the exposure of the Company's net interest income to adverse movements in interest rates. In addition to directly impacting net interest income, changes in interest rates can also affect the amount of new loan originations, the ability of borrowers and debt issuers to repay loans and debt securities, the volume of loan repayments and refinancings, and the flow and mix of deposits.

Credit risk is the risk to the Company's earnings and shareholders' equity that results from customers, to whom loans have been made and to the issuers of debt securities in which the Company has invested, failing to repay their obligations. The magnitude of risk depends on the capacity and willingness of borrowers and debt issuers to repay and the sufficiency of the value of collateral obtained to secure the loans made or investments purchased.

Special Note Regarding Forward Looking Statements

This quarterly report contains forward-looking statements. Greene County Bancorp, Inc. desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing itself of the protections of the safe harbor with respect to all such forward-looking statements. These forward-looking statements, which are included in this Management's Discussion and Analysis and elsewhere in this quarterly report, describe future plans or strategies and include Greene County Bancorp, Inc.'s expectations of future financial results. The words "believe," "expect," "anticipate," "project," and similar expressions identify forward-looking statements. Greene County Bancorp, Inc.'s ability to predict results or the effect of future plans or strategies or qualitative or quantitative changes based on market risk exposure is inherently uncertain. Factors that could affect actual results include but are not limited to:

(a) changes in general market interest rates,
(b) general economic conditions,
(c) legislative and regulatory changes,
(d) monetary and fiscal policies of the U.S. Treasury and the Federal Reserve,
(e) changes in the quality or composition of The Bank of Greene County's loan portfolio or the consolidated investment portfolios of The Bank of Greene County and Greene County Bancorp, Inc.,
(f) deposit flows,
(g) competition, and
(h) demand for financial services in Greene County Bancorp, Inc.'s market area.

These factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements, since results in future periods may differ materially from those currently expected because of various risks and uncertainties.

Comparison of Financial Condition as of December 31, 2006 and June 30, 2006

ASSETS

Total assets of the Company increased to $312.3 million at December 31, 2006 from $307.6 million at June 30, 2006. The asset composition shifted toward loans, which amounted to $202.1 million, or 64.7% of total assets at December 31, 2006, as compared to $190.1 million, or 61.8% of total assets at June 30, 2006. The asset composition shifted away from securities, which represented $79.1 million or 25.3% of total assets at December 31, 2006 as compared to

$87.3 million or 28.4% of total assets at June 30, 2006.

CASH AND CASH EQUIVALENTS

Total cash and cash equivalents decreased to $14.4 million at December 31, 2006 as compared to $15.9 million at June 30, 2006, a decrease of $1.5 million or 9.4%. Cash, such as vault cash and balances with correspondent banks, remained constant at $12.2 million for both December 31, 2006 and June 30, 2006. Federal funds sold decreased to $2.2 million at December 31, 2006 as compared to $3.6 million at June 30, 2006.

SECURITIES AVAILABLE FOR SALE

Investment securities decreased to $79.1 million at December 31, 2006 as compared to $87.3 million at June 30, 2006, a decrease of $8.2 million, or 9.4%. The decline in the securities portolio was used to help fund loan growth and was the result of principal pay-downs that amounted to $9.4 million during the six-month period ended December 31, 2006, of which $8.8 million were mortgage-backed securities, and maturities that amounted to $3.0 million, of which $2.5 million were state and political subdivision securities and $0.5 million were corporate securities. Purchases of $3.8 million, primarily tax-free securities, partially offset the principal pay-downs and maturities between December 31, 2006 and June 30, 2006. Additionally, during the six months ended December 31, 2006, unrealized losses on these available for sale securities declined $845,000. Greene County Bancorp, Inc. held 38.8% of the securities portfolio at December 31, 2006 in state and political subdivision securities to take advantage of tax savings and to promote Greene County Bancorp, Inc.'s participation in the communities in which it operates.

(Dollars in thousands)		Fair value at Dec. 31, 2006	Percentage of portfolio		Fair value at June 30, 2006	Percentage of portfolio
U.S. government agencies	$	11,393	14.4%	$	10,990	12.6%
State and political subdivisions		30,685	38.8		29,939	34.3
Mortgage-backed securities		36,685	46.4		45,490	52.1
Asset-backed securities		81	0.1		93	0.1
Corporate debt securities		---	---		501	0.6
Total debt securities		78,844	99.7		87,013	99.7
Equity securities and other		259	0.3		254	0.3
Total securities available-for-sale	$	79,103	100.0%	$	87,267	100.0%

LOANS

Net loans receivable increased to $202.1 million at December 31, 2006 from $190.1 million at June 30, 2006, an increase of $12.0 million, or 6.3%. The loan growth experienced during the six months primarily consisted of $5.8 million in residential mortgages, $2.0 million in home equity loans, and $3.6 million in commercial loans. The continued low interest rate environment and strong customer satisfaction from personal service continued to enhance loan growth. Recent interest rate hikes by the Federal Open Market Committee have yet to significantly affect long term interest rates. If long term rates begin to rise, the Company anticipates some slow down in new loan demand as well as refinancing activities. It appears consumers continue to use the equity in their homes and credit cards to fund financing needs for some activities, where in the past an installment loan may have been the choice. The low financing options from auto makers continued to cut into the Bank's automobile loan generation.

(Dollars in thousands)	At	Percentage	At	Percentage

	Dec. 31, 2006	of portfolio	June 30, 2006	of portfolio
Real estate mortgages				
Residential	$ 146,084	71.8%	$ 140,253	73.3%
Commercial	26,928	13.2	23,284	12.2
Home equity loans	18,492	9.1	16,486	8.6
Commercial loans	7,543	3.7	7,390	3.8
Installment loans	3,834	1.9	3,384	1.8
Passbook loans	580	0.3	632	.3
Total loans	$ 203,461	100.0%	$ 191,429	100.0%
Less: Allowance for loan losses	(1,368)		(1,314	